

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

DMG 5018 – MANAGEMENT ACCOUNTING 1

(For Diploma Students Only)

7 March 2017
9.00 A.M. – 12.00 P.M.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **5** pages with **5** questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

Question 1

Elite Avionics manufactures mini-drones in three processes: Assembly, Programming and Packaging. Direct materials are added at the beginning of the Assembly process. Conversion costs are incurred evenly throughout the process. The Assembly department had 8,000 units in work in process that were 50 percent complete on 31 December 2016. In January 2017, Elite Avionics started production on 100,000 mini-drones. Of this number 85,000 mini-drones were assembled during January and transferred out to the Programming department.

January's ending work in process in the Assembly department was 25 percent completed. Beginning work in process had materials cost of RM 23,000 and conversion costs of RM 18,675. During January, direct materials costing RM 355,000 were placed in production and direct labour cost of RM 103,600 and manufacturing overhead cost of RM 104,600 were assigned to the Assembly department.

Instructions:

- a) Using weighted average inventory method:
- i. Compute the number of equivalent units and the unit cost in the Assembly department for January 2017. (10 marks)
 - ii. Compute the total costs for units transferred out to the Programming department and the total costs for units in ending work in process in the Assembly department for January 2017. (2 marks)
- b) Using FIFO inventory method:
- i. Compute the number of equivalent units and the unit cost in the Assembly department for January 2017. (10 marks)
 - ii. Compute the total costs for units transferred out to the Programming department and the total costs for units in ending work in process in the Assembly department for January 2017. (4 marks)

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- c) Compare the total costs for units transferred out and units in ending work in process between the two methods. (4 marks)

[Total: 30 marks]

Question 2

- a) Explain the importance of an organizational structure. (8 marks)
- b) Explain **THREE** structures by which an organization can organize its activities. (7 marks)

[Total: 15 marks]

Question 3

Gracie Manufacturing Sdn. Bhd. uses a job order cost system and applies overhead to production on the basis of direct labour costs. On 1 January 2017, Job No. 40 was the only job in process. The costs incurred prior to 1 January on this job were as follows: direct materials RM 25,000, direct labour RM 20,000 and manufacturing overhead RM 18,000. As of 1 January 2017, Job No. 39 had been completed at a cost of RM 95,000 and was the only balance in the finished goods inventory account. There was a RM 15,000 in the raw materials inventory account.

During the month of January, Gracie Manufacturing began production on Job No. 41 and No. 42, and completed Job No. 40 and No. 41. Job No. 39 and No. 40 were sold on account during the month for RM 125,000 and RM 160,000 respectively.

The following additional events occurred during the month:

1. Purchased additional raw materials of RM 100,000 on account.
2. Incurred factory labour costs of RM 70,000. Of this amount, RM 16,000 related to employer payroll taxes.
3. Incurred manufacturing overhead costs as follows: indirect materials RM 22,000, indirect labour RM 20,000, depreciation expense RM 19,000 and various other manufacturing overhead costs on account RM 20,000.

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4. Assigned direct materials and direct labour costs to jobs as follows:

Job No.	Direct Materials	Direct Labour
40	RM 10,000	RM 5,000
41	50,000	25,000
42	45,000	25,000

Instructions:

- Calculate the predetermined overhead rate for 2017 assuming Gracie Manufacturing estimates the total manufacturing overhead costs of RM 1,200,000 and total direct labour costs of RM 800,000. (2 marks)
 - Prepare journal entries to record the accumulation of manufacturing costs incurred and the assignment of manufacturing costs to production. (8 marks)
 - Find the ending balances for raw materials, work in process and finished goods inventories. (7 marks)
 - Prepare the adjusting entry for over-or underapplied overhead. (3 marks)
- [Total: 20 marks]**

Question 4

Frostbite Company has several processing departments. Costs charged to the Assembly department for January 2017 totaled RM 1,354,400 as follows:

Work in process, 1 January 2017		
-Materials	RM 29,000	
-Conversion costs	<u>26,200</u>	RM 55,200
Materials added		1,071,000
Direct Labour		90,000
Manufacturing overhead		<u>138,200</u>
		<u>RM 1,354,400</u>

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Production records show that 25,000 units were in beginning work in process 40 percent complete as to conversion cost, 415,000 units were started into production and 40,000 units were in ending work in process 60 percent complete as to conversion costs. Materials are entered at the beginning of each process.

Instructions:

Prepare a production cost report for the Assembly department for January 2017.

(20 marks)

[Total: 20 marks]

Question 5

Followings are the current sales mix and contribution margin ratio of a Chinese restaurant:

	Percent of total sales	Contribution margin ratio
Appetizers	10%	60%
Entrees	60%	30%
Desserts	10%	50%
Beverages	20%	80%

Jerry Lee, the manager of the restaurant is planning to generate a target net income of RM 150,000. The company incurred fixed costs of RM 1.2 million per year. He believes that the restaurant can improve its profitability by reducing the complexity and selling price of its entrees to increase the number of clients that it serves. It would then more heavily market its appetizers and beverages. Based on this plan, Jerry Lee proposes a change of the sales mix and contribution margin ratio as follows:

	Percent of total sales	Contribution margin ratio
Appetizers	20%	60%
Entrees	30%	30%
Desserts	10%	50%
Beverages	40%	80%

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In order to cater for the increases in the number of customers that it would serve, the restaurant is planning an expansion of facilities that would increase fixed costs by 50 percent.

Instructions:

- a) Based on the current sales mix and contribution margin ratio, calculate the total restaurant sales and the sales of each product line that would be necessary to achieve the desired target net income. (7.5 marks)

- b) Based on the proposed sales mix and contribution margin ratio, calculate the total restaurant sales and the sales of each product line that would be necessary to achieve the desired target net income. (7.5 marks)

[Total: 15 marks]

[Grand Total: 100 marks]

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